



**STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

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November 6, 2004

Members of the Board of Commissioners
Poplar Grove Utility District
P. O. Box 505
Atoka, TN 38004

Board Members:

As part of our on-going process of examining the records of utility districts, we have completed our investigative audit of the records of the Poplar Grove Utility District. This examination focused on the period January 1, 2002, through December 31, 2002. However, when the examination warranted, this scope was expanded.

Our examination revealed that during the period February 21, 2002, through September 27, 2002, a former collections clerk of the Poplar Grove Utility District apparently misappropriated at least \$758.78 in cash collections from the district. The former clerk was responsible for opening mail, receiving collections, recording accounts receivable collections, and preparing deposits. The former clerk apparently set aside unrecorded checks payable to the district and exchanged these checks for cash maintained in the district's collections drawer, keeping the cash for her own use.

On September 22, 2004, a warrant was issued for the arrest of Violet Jean Dorris, former collection clerk, for one count of Theft over \$500.

➤ Section 39-14-105, *Tennessee Code Annotated*, states:

Theft of Property.

A person commits theft of property if, with intent to deprive the owner of property, the person knowingly obtains or exercises control over the property without the owner's effective consent.

➤ Section 39-14-105, *Tennessee Code Annotated*, states:

Grading of Theft.

Theft of property or services is . . .

(2) A Class E felony if the value of the property or services obtained is more than five hundred dollars (\$500) but less than one thousand dollars (\$1,000).
...

In addition to the above, the following weaknesses in internal control were noted:

1. District personnel did not deposit all collections intact. District employees routinely cashed personal checks and third-party checks using utility collections. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, "Receipts should be deposited promptly and intact and only in designated depositories."

To help prevent the misuse or loss of collections, district management of the utility should ensure that all collections are deposited intact into designated depositories.

2. District personnel did not list each check included in deposits on the applicable deposit slips. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, requires an itemized bank deposit slip in duplicate.

To decrease the risk of loss or theft of utility district money and to document that every collection has been deposited intact, deposit slips should be itemized and each check listed separately.

3. District personnel failed to issue prenumbered receipts for miscellaneous collections totaling \$202,805.34 received during the scope of our audit.

Section 9-2-103, *Tennessee Code Annotated*, states:

Each state, county and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official. . . .

Section 9-2-104, *Tennessee Code Annotated*, states:

(a) The receipt shall be issued in duplicate and a copy thereof shall be retained by the person so receiving such money and shall be available to the state auditors upon demand.

(b) The receipts shall be in a well-bound book, or on a form approved by the comptroller of the treasury, and shall be prenumbered consecutively.

Section 9-2-106, *Tennessee Code Annotated*, states, "Any person violating any of the provisions of §§ 9-2-103 - 9-2-105 commits a Class C misdemeanor."

Section 40-35-111(e), *Tennessee Code Annotated*, states,

The authorized terms of imprisonment and fines for misdemeanors are . . . (3) Class C misdemeanor, not greater than thirty (30) days or a fine not to exceed fifty dollars (\$50.00), or both, unless otherwise provided by statute.

The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, "Prenumbered receipt documents for each revenue source should be issued with required accounting for all unused or spoiled receipts.

To better account for revenue and help prevent misappropriations or errors, district management should require district personnel to issue duplicate, prenumbered receipts, for each collection received. Prenumbered receipts should identify source of revenue and form of payment.

If you have any questions concerning the above matter, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit